

Press Release

Research study on ‘Effectiveness of the resolution process: Firm outcomes in the post-IBC period’ conducted by IIM Ahmedabad

The Indian Institute of Management Ahmedabad has conducted a research study titled “*Effectiveness of the Resolution Process: Firm Outcomes in the Post-IBC Period.*” The study evaluates the performance of firms that have undergone resolution under the Insolvency and Bankruptcy Code, 2016 (IBC), with a focus on their post-resolution outcomes. As the IBC completes a decade since its enactment, the study provides empirical insights into whether firms resolved under the framework have been able to revive and generate value after the conclusion of the insolvency process.

2. The research study builds upon an earlier study undertaken in 2023, which analysed firms in the post-resolution period for the years 2013–2022. The present study seeks to update and broaden the analysis by extending the coverage up to 2025 so as to capture the most recent developments. A total of 1194 firms that underwent the resolution process were part of this study.

3. The key findings of the research study are summarized below:

a. **Sales:** Average sales of the resolved firms have exhibited a substantial improvement, recording an increase of 89% in the five years post-resolution, indicating a significant revival in business operations.

b. **Asset Turnover:** Resolved firms demonstrate a marked improvement in asset utilisation. The Asset Turnover Ratio has increased by about 131% during the five-year post-resolution period, suggesting enhanced operational efficiency.

c. **Capital Expenditure (CAPEX):** The data indicates a notable post-resolution increase in capital expenditure with average CAPEX has risen by approximately 106% in five years after resolution, reflecting renewed investment activity and improved economic viability of the firms.

d. **Average Assets:** An increasing trend has been observed in the average asset base of the resolved firms. Average assets have grown from ₹228.33 crore in the resolution year to ₹254.60 crore in the fifth-year post-resolution, representing an increase of approximately 11.5%.

e. **Employee Expenses and Employee Strength:** Average employee expenses have increased by around 71.91% for the firms which have completed five years of resolution, indicating greater employment intensity and a possible expansion in workforce-related expenditure during the post-resolution phase. In the post-resolution period, the average employee strength per unit of total assets has increased by approximately 200% over five years.

f. **Market Capitalisation:** The market capitalisation trends of listed resolved firms indicate a significant recovery in market valuations during the post-resolution period, reflecting improved investor confidence and growth prospects following successful resolution with creditors. A similar trend is observed in respect of aggregate market valuation of all the resolved firms which has increased from around INR 2.8 lakh crore to INR 9 lakh crore during five years in their post-resolution phase.

h. **Liquidity:** Liquidity has improved considerably in the post-resolution period, with an increase of approximately 106% over the five-year period following resolution. The trend reflects a significant strengthening of the financial position and short-term solvency of the resolved firms.

4. The findings of this study highlight the effectiveness of the resolution process in restoring the financial and operational health of distressed firms. The observed improvements across key indicators including sales, capital expenditure, asset utilisation, liquidity, employment intensity, and market valuation indicate that the resolution framework has played a significant role in reviving economic activity and strengthening the long-term viability of resolved firms. These trends demonstrate the capacity of the resolution mechanism under IBC in supporting business recovery, encouraging renewed investment, and contributing to broader economic value creation in the post-resolution phase.

5. The full report is available on the website of the Insolvency and Bankruptcy Board of India at <https://ibbi.gov.in/uploads/resources/f42521011e8c39d591a8f1b439a80da7.pdf>.
